

*General Bakeries Limited*  
*Annual Report*  
*For the Year Ended April 3, 1971*



# General Bakeries Limited

## *Directors*

W. M. Vacy Ash—Toronto  
*Member of the Executive Committee*

Christie T. Clark—Toronto  
*Member of the Executive Committee*

J. C. P. Conrad—Toronto  
*Member of the Executive Committee*

T. G. Gedge—Toronto

Grant Horsey—Toronto

Edwin C. McDonald—New York

John A. McDougald—Toronto  
*Chairman of the Executive Committee*

S. R. Saxby—Montreal

J. P. Walwyn—Toronto

D. H. Ward—Toronto

## *Officers*

W. M. Vacy Ash  
*Chairman of the Board*

J. C. P. Conrad  
*President*

R. J. Langley  
*Vice-President and Ass't General Manager*

T. G. Gedge  
*Vice-President—Finance and Secretary-Treasurer*

F. R. Filion  
*Vice-President—Personnel and Industrial Relations*

P. L. Pope  
*Vice-President—Manufacturing*

## *Auditors*

Thorne, Gunn, Helliwell & Christenson, Toronto

## *Solicitors*

Fraser & Beatty, Toronto

## *Registrar & Transfer Agent*

Crown Trust Company, Toronto, Montreal and Vancouver

## *Bankers*

Canadian Imperial Bank of Commerce—Banque Canadienne Nationale—The Bank of Nova Scotia

## GENERAL BAKERIES LIMITED AND SUBSIDIARY COMPANIES

Mammy's Limited

Walker Bakeries Co. Limited

General Bakeries (N.B.), Limited

O'Malley's Limited

The Marra's Bread Limited

Ellenzweig Bakery Co. Limited

Wonder Bread Limited

## *Plants and Offices*

St. John's      Ottawa      Orillia

Dartmouth      Brockville      Hamilton

Saint John      Kingston      London

Montreal      Toronto      Amherstburg

## *Executive Offices*

170 The Donway West, Don Mills, Ontario



# General Bakeries Limited and Subsidiary Companies

## ANNUAL REPORT FOR THE YEAR ENDED APRIL 3, 1971

### Financial Highlights

|                                                   | 1971               | 1970               |
|---------------------------------------------------|--------------------|--------------------|
| Net income for the year - - - - -                 | \$ 44,849          | \$ 20,204          |
| Equal per share to - - - - -                      | .06                | .03                |
| Dividends declared - - - - -                      | 97,500             | 187,500            |
| Equal per share to - - - - -                      | .13                | .25                |
| Shareholders' equity - - - - -                    | 4,893,938          | 4,946,589          |
| Equal per share to - - - - -                      | 6.53               | 6.60               |
| Equity capital invested                           |                    |                    |
| Working capital - - - - -                         | 855,285            | 947,119            |
| Fixed assets, less accumulated depreciation -     | 7,183,152          | 5,346,969          |
| Goodwill - - - - -                                | 1                  | 1                  |
|                                                   | 8,038,438          | 6,294,089          |
| Deduct:                                           |                    |                    |
| Long-term debt - - - - -                          | 2,849,000          | 970,000            |
| Deferred income taxes - - - - -                   | 295,500            | 377,500            |
|                                                   | <u>\$4,893,938</u> | <u>\$4,946,589</u> |
| Gross expenditures for fixed assets during year - | \$2,470,776        | \$1,279,781        |

The Annual and a General Meeting of Shareholders will be held at the Company's offices, 170 The Donway West, Don Mills, Ontario, on Wednesday, the 4th day of August, 1971, at the hour of 10:30 a.m.

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## Report to the Shareholders *For the year ended April 3, 1971*

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The past year was highlighted by a return to profitable operations during the second half on the strength of a significant increase in sales and cost savings accruing from recently completed retooling programmes.

Sales reached an all-time high of \$36,225,025, an increase of \$1,340,484 or 3.8% over last year.

The operating loss before income taxes was \$24,651, compared with \$48,196 a year ago.

After reduction due to tax credits, net income for the year was \$44,849, or 6 cents per share, compared with \$20,204 or 3 cents per share the previous year.

Dividends were declared in each quarter but, beginning with the dividend payable July 31, 1970, they were paid at the rate of 3¼ cents per share, compared with 6¼ cents per share in previous quarters.

While there was an operating loss before income taxes for the full year, the recovery in net income during the second half was encouraging, particularly in view of the net loss equivalent to 15.9 cents per share at mid-year.

Altogether your company has some 28 separate union contracts, over half of which were re-negotiated last year. The cost of these settlements has been heavy and a major factor contributing to our increased costs of operation. For example, the union struck our Toronto plant in June of last year, forcing a costly shutdown of production for over three weeks. This strike was settled for an

increase of 21% over a period of 27 months. In the past five years the payroll of this company has gone from 30% to 35% of revenue. When you consider that a 5% profit before tax is barely sufficient to ensure healthy corporate growth and job security for our people, the increase in the labour bill is a substantial cost to meet and overcome.

We, as well as the Canadian baking industry in general, are unable to recover persistent, increasing costs from increased prices for our products. Consequently, our retooling programme is geared to cost reduction and is beginning to show results. While production improvements in some plants are nearing completion, there is still more to be done in others. Wherever possible, we plan to programme the changes in a normal fashion but at a more accelerated rate than heretofore.

Coincidental with the long-range retooling programme is the study of consolidation of operations wherever possible in order to reduce overhead and take advantage of improved facilities. The first major step in this direction was the closing of the Amherstburg, Ontario, plant on March 12th past. The production for this plant is being consolidated with the operations at London, Ontario. The London plant is more suitable to our present and future production requirements and better located to serve the Ontario South-Western markets, whereas the Amherstburg plant was poorly located and becoming increasingly so as the market expanded.



Capital expenditures for the year amounted to \$2,470,776 of which \$982,063 was spent on new plant and equipment. As was noted in last year's report, subsequent to the year end we exercised our option to purchase certain plants and depots. The cost was financed by the issue of 6¾% first mortgages amounting to \$1,479,000.

Major plant projects completed during the year were the automatic pumpable sponge system for bread and rolls and the automatic doughnut line installed in the Toronto plant and a bulk flour system installed at the Kingston plant. The new automatic bread line at the Toronto plant was substantially completed at year end and at the time of this writing is in the break-in stage. Currently in process is the installation of a bread and roll line in the London plant.

Your board was saddened by the death of Mr. J. Ernest Savard in March of this year. Mr. Savard served your company faithfully as a director since its inception in 1946 and had a special interest in its affairs since that

time. Mr. Savard will be sorely missed by his friends and colleagues on the board.

Your company has substantially improved its organization, its administration controls, its products and its facilities over the past three years and while many determining factors are as yet unknown, we look forward with anticipation to the coming year.

This past year marked our twenty-fifth year of operations. As this milestone is reached, we especially want to thank our employees, our customers, and our shareholders, many of whom have been with us over this period, for their continued support and for their faith in the company and its future.

Mr. J. P. Walwyn who joined the board in July 1947, has informed the Chairman that his impending prolonged absence from the country precludes his standing for re-election this year. In deference to Mr. Walwyn and his able counsel over the years, the directors take this opportunity to record their sincere appreciation.

Respectfully submitted on behalf of the Board of Directors.



*Chairman of the Board*



*President*

May 26, 1971.

# General Bakeries Limited and subsidiary companies

INCORPORATED UNDER THE LAWS OF ONTARIO

| <i>Assets</i>                                                  |    | 1971                | 1970                |
|----------------------------------------------------------------|----|---------------------|---------------------|
| CURRENT ASSETS                                                 |    |                     |                     |
| Cash - - - - -                                                 | \$ | 957,297             | \$ 968,617          |
| Accounts receivable - - - - -                                  |    | 1,836,817           | 2,100,526           |
| Inventories, at lower of cost and net realizable value - - - - |    | 915,566             | 1,004,074           |
| Income taxes recoverable - - - - -                             |    |                     | 158,145             |
| Prepaid expenses - - - - -                                     |    | 90,693              | 111,214             |
|                                                                |    | <u>3,800,373</u>    | <u>4,342,576</u>    |
| FIXED ASSETS (note 1)                                          |    |                     |                     |
| Land, buildings and equipment, at cost - - - - -               |    | 14,025,739          | 11,633,475          |
| Less accumulated depreciation - - - - -                        |    | 6,842,587           | 6,286,506           |
|                                                                |    | <u>7,183,152</u>    | <u>5,346,969</u>    |
| GOODWILL - - - - -                                             |    | 1                   | 1                   |
|                                                                |    | <u>\$10,983,526</u> | <u>\$ 9,689,546</u> |

Approved by the Board

W. M. VACY ASH, *Director*

J. C. P. CONRAD, *Director*

## AUDITORS' REPORT

To the Shareholders of  
GENERAL BAKERIES LIMITED

We have examined the consolidated balance sheet of General Bakeries Limited and subsidiary companies as at April 3, 1971 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

# Consolidated Balance Sheet, April 3, 1971

(WITH COMPARATIVE FIGURES AT APRIL 4, 1970)

| <i>Liabilities</i>                                 |  |  |  |  |  |  |  |  |  |  |  |  |  | 1971         | 1970         |
|----------------------------------------------------|--|--|--|--|--|--|--|--|--|--|--|--|--|--------------|--------------|
|                                                    |  |  |  |  |  |  |  |  |  |  |  |  |  |              |              |
| CURRENT LIABILITIES                                |  |  |  |  |  |  |  |  |  |  |  |  |  |              |              |
| Accounts payable and accrued liabilities - - - - - |  |  |  |  |  |  |  |  |  |  |  |  |  | \$ 2,891,910 | \$ 3,348,582 |
| Dividend payable - - - - -                         |  |  |  |  |  |  |  |  |  |  |  |  |  | 24,375       | 46,875       |
| Income taxes payable - - - - -                     |  |  |  |  |  |  |  |  |  |  |  |  |  | 28,803       |              |
|                                                    |  |  |  |  |  |  |  |  |  |  |  |  |  | 2,945,088    | 3,395,457    |
| LONG-TERM DEBT (note 2)                            |  |  |  |  |  |  |  |  |  |  |  |  |  | 2,849,000    | 970,000      |
| DEFERRED INCOME TAXES - - - - -                    |  |  |  |  |  |  |  |  |  |  |  |  |  | 295,500      | 377,500      |
|                                                    |  |  |  |  |  |  |  |  |  |  |  |  |  |              |              |
| <i>Shareholders' Equity</i>                        |  |  |  |  |  |  |  |  |  |  |  |  |  |              |              |
| CAPITAL STOCK                                      |  |  |  |  |  |  |  |  |  |  |  |  |  |              |              |
| Authorized                                         |  |  |  |  |  |  |  |  |  |  |  |  |  |              |              |
| 50,000 Preference shares of \$10 par value         |  |  |  |  |  |  |  |  |  |  |  |  |  |              |              |
| 1,500,000 Common shares of no par value            |  |  |  |  |  |  |  |  |  |  |  |  |  |              |              |
| Issued                                             |  |  |  |  |  |  |  |  |  |  |  |  |  |              |              |
| 750,000 Common shares - - - - -                    |  |  |  |  |  |  |  |  |  |  |  |  |  | 1,034,750    | 1,034,750    |
| RETAINED EARNINGS - - - - -                        |  |  |  |  |  |  |  |  |  |  |  |  |  | 3,859,188    | 3,911,839    |
|                                                    |  |  |  |  |  |  |  |  |  |  |  |  |  | 4,893,938    | 4,946,589    |
|                                                    |  |  |  |  |  |  |  |  |  |  |  |  |  | \$10,983,526 | \$ 9,689,546 |

In our opinion these consolidated financial statements present fairly the financial position of the companies as at April 3, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE, GUNN, HELLIWELL & CHRISTENSON  
Chartered Accountants

Toronto, Canada, May 10, 1971



## General Bakeries Limited and subsidiary companies

### Consolidated Statement of Income

YEAR ENDED APRIL 3, 1971 (with comparative figures for year ended April 4, 1970)

|                                              | 1971              | 1970              |
|----------------------------------------------|-------------------|-------------------|
| Sales - - - - -                              | \$36,225,025      | \$34,884,541      |
| Costs and operating expenses - - - - -       | 35,474,553        | 34,344,864        |
| Depreciation - - - - -                       | 624,097           | 602,529           |
| Interest on long-term debt - - - - -         | 152,411           | 18,225            |
|                                              | <u>36,251,061</u> | <u>34,965,618</u> |
|                                              | (26,036)          | (81,077)          |
| Profit on disposal of fixed assets - - - - - | 1,385             | 32,881            |
| Operating loss before income taxes - - - - - | <u>24,651</u>     | <u>48,196</u>     |
| Income taxes                                 |                   |                   |
| Current (recoverable) - - - - -              | 12,500            | (115,400)         |
| Deferred (reduction) - - - - -               | (82,000)          | 47,000            |
|                                              | <u>(69,500)</u>   | <u>(68,400)</u>   |
| Net income for the year - - - - -            | \$ 44,849         | \$ 20,204         |
| Earnings per share - - - - -                 | <u>\$ .06</u>     | <u>\$ .03</u>     |

### Consolidated Statement of Retained Earnings

YEAR ENDED APRIL 3, 1971 (with comparative figures for year ended April 4, 1970)

|                                        | 1971                | 1970                |
|----------------------------------------|---------------------|---------------------|
| Balance at beginning of year - - - - - | \$ 3,911,839        | \$ 4,079,135        |
| Net income for the year - - - - -      | 44,849              | 20,204              |
|                                        | <u>3,956,688</u>    | <u>4,099,339</u>    |
| Dividends declared - - - - -           | 97,500              | 187,500             |
| Balance at end of year - - - - -       | <u>\$ 3,859,188</u> | <u>\$ 3,911,839</u> |



# General Bakeries Limited and subsidiary companies

## Consolidated Statement of Source and Application of Funds

YEAR ENDED APRIL 3, 1971 (with comparative figures for year ended April 4, 1970)

|                                                               | 1971              | 1970              |
|---------------------------------------------------------------|-------------------|-------------------|
| Source of funds                                               |                   |                   |
| Operations                                                    |                   |                   |
| Net income for the year - - - - -                             | \$ 44,849         | \$ 20,204         |
| Items not involving current funds                             |                   |                   |
| Depreciation - - - - -                                        | 624,097           | 602,529           |
| Deferred income taxes - - - - -                               | (82,000)          | 47,000            |
|                                                               | 586,946           | 669,733           |
| Special refundable tax - - - - -                              |                   | 18,545            |
| Book value of fixed asset disposals and retirements - - - - - | 10,496            | 34,466            |
| Increase in long-term debt - - - - -                          | 1,879,000         | 700,000           |
|                                                               | <u>2,476,442</u>  | <u>1,422,744</u>  |
| Application of funds                                          |                   |                   |
| Additions to fixed assets - - - - -                           | 2,470,776         | 1,279,781         |
| Dividends declared - - - - -                                  | 97,500            | 187,500           |
|                                                               | <u>2,568,276</u>  | <u>1,467,281</u>  |
| Decrease in working capital - - - - -                         | 91,834            | 44,537            |
| Working capital at beginning of year - - - - -                | 947,119           | 991,656           |
| Working capital at end of year - - - - -                      | <u>\$ 855,285</u> | <u>\$ 947,119</u> |

## Notes to Consolidated Financial Statements YEAR ENDED APRIL 3, 1971

| 1. FIXED ASSETS                                                                                                                                                               | 1971                |                          |                    | 1970               |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------------|--------------------|--------------------|
|                                                                                                                                                                               | Cost                | Accumulated Depreciation | Net                | Net                |
| Land - - - - -                                                                                                                                                                | \$ 1,022,359        |                          | \$1,022,359        | \$ 501,378         |
| Buildings - - - - -                                                                                                                                                           | 4,392,795           | \$1,069,843              | 3,322,952          | 2,368,270          |
| Equipment - - - - -                                                                                                                                                           | 8,610,585           | 5,772,744                | 2,837,841          | 2,477,321          |
|                                                                                                                                                                               | <u>\$14,025,739</u> | <u>\$6,842,587</u>       | <u>\$7,183,152</u> | <u>\$5,346,969</u> |
| 2. LONG-TERM DEBT                                                                                                                                                             |                     |                          | 1971               | 1970               |
| Bank loan, due June 8, 1972 - - - - -                                                                                                                                         |                     |                          | \$1,100,000        | \$ 700,000         |
| 6½% First mortgages, payable semi-annually:                                                                                                                                   |                     |                          |                    |                    |
| February 18, 1973 to August 18, 1977—\$27,000 - - - - -                                                                                                                       |                     |                          | 270,000            | 270,000            |
| April 20, 1975 to October 20, 1979—\$147,900 - - - - -                                                                                                                        |                     |                          | 1,479,000          | —                  |
|                                                                                                                                                                               |                     |                          | <u>\$2,849,000</u> | <u>\$ 970,000</u>  |
| 3. LONG-TERM LEASES                                                                                                                                                           |                     |                          |                    |                    |
| The company is committed to annual rentals of approximately \$38,000 on long-term leases which expire on dates varying to February, 1981.                                     |                     |                          |                    |                    |
| 4. PENSION OBLIGATIONS                                                                                                                                                        |                     |                          |                    |                    |
| As at April 3, 1971 the actuarial deficiency of the company's pension plans amounts to \$245,921 which is being funded by annual payments of \$22,551 over the next 19 years. |                     |                          |                    |                    |
| 5. OTHER STATUTORY INFORMATION                                                                                                                                                |                     |                          |                    |                    |
| The direct remuneration of directors and senior officers, (including the five highest paid employees) amounts to \$177,200 (1970—\$208,989).                                  |                     |                          |                    |                    |

## General Bakeries Limited and subsidiary companies

### Ten Year Financial Record

|                                                    | 1971       | 1970      | 1969       | 1968       |
|----------------------------------------------------|------------|-----------|------------|------------|
| OPERATIONS                                         |            |           |            |            |
| Income from operations - - - - \$                  | 44,849     | \$ 20,204 | \$ 323,484 | \$ 250,597 |
| Equal per share to - - - -                         | .06        | .03       | .43        | .34        |
| Net income for the year - - - -                    | 44,849     | 20,204    | 323,484    | 501,362†   |
| Equal per share to * - - - -                       | .06        | .03       | .43        | .67†       |
| Dividends declared - - - -                         | 97,500     | 187,500   | 187,500    | 187,500    |
| Equal per share to * - - - -                       | .13        | .25       | .25        | .25        |
| FINANCIAL POSITION                                 |            |           |            |            |
| Current assets - - - - -                           | 3,800,373  | 4,342,576 | 3,959,721  | 4,227,424  |
| Current liabilities - - - - -                      | 2,945,088  | 3,395,457 | 2,968,065  | 3,041,983  |
| Working capital - - - - -                          | 855,285    | 947,119   | 991,656    | 1,185,441  |
| Special refundable tax - - - -                     | —          | —         | 18,545     | 46,226     |
| Fixed assets, less<br>accumulated depreciation - - | 7,183,152  | 5,346,969 | 4,704,183  | 4,308,233  |
| Total assets - - - - -                             | 10,983,526 | 9,689,546 | 8,682,450  | 8,581,884  |
| Long-term debt - - - - -                           | 2,849,000  | 970,000   | 270,000    | 270,000    |
| Deferred income taxes - - - -                      | 295,500    | 377,500   | 330,500    | 292,000    |
| Shareholders' equity - - - - -                     | 4,893,938  | 4,946,589 | 5,113,885  | 4,977,901  |
| Equal per share to * - - - -                       | 6.53       | 6.60      | 6.82       | 6.64       |

\*Per share figures are adjusted to reflect three-for-one stock split effective July 2, 1964.

†Includes a non-recurring profit of \$250,765 on sale of western Canada businesses and expropriation of Toronto plant, equal per share to 33 cents.

| 1967       | 1966       | 1965       | 1964       | 1963       | 1962       |
|------------|------------|------------|------------|------------|------------|
| \$ 419,166 | \$ 629,463 | \$ 602,040 | \$ 501,324 | \$ 361,495 | \$ 302,078 |
| .56        | .84        | .80        | .67        | .48        | .40        |
| 419,166    | 629,463    | 602,040    | 501,324    | 361,495    | 302,078    |
| .56        | .84        | .80        | .67        | .48        | .40        |
| 187,500    | 187,500    | 159,375    | 125,000    | 100,000    | 100,000    |
| .25        | .25        | .21¼       | .17        | .13        | .13        |
| 2,371,724  | 2,275,532  | 2,067,185  | 2,086,495  | 1,926,094  | 1,683,492  |
| 1,903,533  | 1,758,153  | 1,374,556  | 1,567,198  | 1,503,159  | 1,419,994  |
| 468,191    | 517,379    | 692,629    | 519,297    | 422,935    | 263,498    |
| 45,788     | —          | —          | —          | —          | —          |
| 4,657,059  | 4,492,993  | 3,986,780  | 3,906,447  | 3,766,485  | 3,804,427  |
| 7,074,572  | 6,768,526  | 6,053,966  | 5,992,943  | 5,692,580  | 5,487,920  |
| 225,000    | 300,000    | 450,000    | 740,000    | 880,000    | 1,020,000  |
| 144,000    | 140,000    | 101,000    | —          | —          | —          |
| 4,802,039  | 4,570,373  | 4,128,410  | 3,685,745  | 3,309,421  | 3,047,926  |
| 6.40       | 6.09       | 5.50       | 4.91       | 4.41       | 4.06       |



General Bakeries has a single  
purpose . . . the production  
of the finest quality  
bread and bakery  
products . . . the consistent  
development of high standards  
of baking procedure and  
bakery service for the benefit  
of Canadians in the territories  
served by your company.

